2 Stocks That I'd Buy Today

Description

When looking at which stocks to invest in, there are a lot of different things to consider. Some investors value growth, while others value strong financials and a company with little debt and lots of liquidity.

The items that I look for to evaluate whether a stock is a good investment or not include the company's gross and profit margins, if sales are growing, and if the company is likely to keep growing.

I'm going to have a look at two companies that meet these criteria and that would be great long-term buys.

Morguard Corp. (TSX:MRC) invests in real estate in Canada and the U.S. with interests in over 175 properties. Two of the company's biggest investments include **Morguard Real Estate Inv.** and **Morguard North American Residential REIT**, which operate many of the properties. Morguard's portfolio includes a wide variety of spaces, including office, industrial, hotel, residential, and retail locations.

One of the things that grabs my attention is the high gross margin achieved by Morguard, with the company averaging cost of goods sold of less than 40%, leaving more than 60% of its revenue available to cover overhead and other operating expenses.

A high gross margin makes it easier for a company to earn a profit, because a significant portion of incremental sales are able to cover indirect costs, with any excess flowing through to the bottom line.

Profit margin, however, is even more important because if a company with strong gross margins is spending a lot on salaries or advertising, then those margins might still not make it to the bottom line. In its last fiscal year, Morguard was able to achieve an incredible profit margin of 19% and is normally over at least 9%.

A strong profit margin ensures that additional sales will lead to stronger earnings per share, which has a big impact on share price and investor returns.

Another important factor is growth. In three years, Morguard has seen sales rise from $504 million to $921 million — an increase of 83% and a compounded annual growth rate (CAGR) of 22%.

Real estate provides a lot of opportunities for expansion and development, and Morguard should be able to build on the impressive growth it has already achieved.

Great Canadian Gaming Corp. (TSX:GC) operates 20 gaming facilities in Canada and the U.S. The company saw its stock price soar in August when it was announced that in partnership with **Brookfield Business Partners LP,** it would run three gaming properties in Ontario and would have the exclusive rights to do so for at least 22 years.

In addition to significant growth opportunities, Great Canadian has averaged gross margins over 60%, while profit margins have maintained levels of ~15% over the past four years. In three years, the company has grown its sales by 39% for a CAGR 12%.

With the addition of the locations in Ontario, Great Canadian could see those growth numbers soar even higher. Since the news broke about Great Canadian having won the bid, the company's share price has risen 30%. However, in the past month the stock has dropped 12%, so it could be a good opportunity to buy the stock on a dip.

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